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RUEHRG/AMCONSUL RECIFE 9113
RUEHRI/AMCONSUL RIO DE JANEIRO 7299
RUEHSO/AMCONSUL SAO PAULO 3568
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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 000216

SIPDIS

STATE FOR WHA/BSC, PM/RSAT

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SUBJECT: BRAZIL FX2 COMPETITION: THE BIDS ARE IN; NEXT STEPS

REF: A. BRASILIA 41

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Classified By: Ambassador Clifford Sobel. Reason 1.5 (D)

11. (C) SUMMARY. Following the February 2 submission of bids for Brazil's FX2 fighter competition, the Brazilian Air Force (BRAF) will begin the process of technical evaluation. The U.S. competitor, Boeing's F18 Super Hornet, submitted a proposal that complied with Brazilian technical requirements and offered an extensive package of offsets that evoked a positive initial reaction from the BRAF. Despite this, the Super Hornet is still perceived as trailing the French competitor as Brazilian affinity for its "strategic partnership" with France has led to Dassault's Rafale being perceived as the default choice. To overcome such perceptions, Boeing hosted a group of prominent Brazilian journalists on a tour of U.S. Navy and Boeing facilities that should result in more balanced reporting in the Brazilian press. For a successful outcome to the FX2 process, the USG will need to be prepared to answer Brazilian questions about technology release, particularly regarding source codes and integration of third party weapons outside the U.S., in a way that does not give an outright "no" to the Brazilians while remaining consistent with USG policy. See paragraphs 4-8 for specific suggestions on next steps. END SUMMARY.

12. (C) On February 2, responses to the Request for Proposal (RFP) for Brazil's next generation fighter aircraft (FX2) were submitted to the BRAF in Sao Jose dos Campos by Boeing, Dassault and Saab. With the RFP issued as recently as November, the rapid response from the USG, particularly with regard to technology release, was a significant achievement. Thus far in the FX2 process, most BRAF reps have told embassy officials that they might prefer the F18 as the superior aircraft but were not confident about the releasability of U.S. technology. USMLO Brasilia reports many congratulations from the BRAF on the completeness of Boeing's bid, although there has already been one follow up request for confirmation that all technologies included in the package have been approved for export. Despite the success of the RFP response, there remains a perception among Brazilian leaders that the French candidate, the Rafale, remains the plane to beat in the competition. President Sarkozy's highly-publicized visit to Rio in December and his strong personal friendship with President Lula are seen as giving the French a strong political preference.

13. (U) As a step toward building the public case for the

F18, Boeing sponsored a February 2-5 tour for Brazilian journalists to Washington, NAS Oceana and St. Louis. Participants heard from WHA A/S Shannon and PM AA/S Ruggeiro that the USG strongly supports the sale, including through the transfer of technology and understands Brazil's importance for the stability of the Western Hemisphere. The journalists' questions seemed to accept that the USG was prepared to approve the transfer of relevant technologies and focused on whether this represented a change in policy to now provide Brazil with the best equipment available. There was also considerable interest in the overall cost of the aircraft and the possibility of financing. By visiting Navy units operating the Super Hornet, the journalists heard first hand accounts of the plane's superior performance from those who have flown it in combat and observed flight operations. The Navy presentations drove home the point that with the F18 Brazil will get a plane with proven performance and reliability, something neither of the other competitors can offer. In St. Louis, the group was briefed on Boeing's manufacturing operations and the potential advantages to Brazilian industry of partnership with Boeing.

NEXT STEPS

¶4. (C) While the presentation of a strong RFP was an important step, there are still several potential pitfalls in the evaluation process and opportunities to build support for the U.S. candidate. As noted in ref B and previous reporting, Brazilian concerns that the U.S. could withhold key technologies remain a significant factor against success in the FX2 competition. The RFP response, along with

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positive press coverage, has alleviated much of this concern, but there are several points remaining which, if incorrectly presented, could revive accusations that the U.S. will not transfer technology. The RFP response to the BRAF requirement for a within visual range (WVR) weapon proposed either the U.S.-made AIM9M or integration of a third party weapon, presumably Brazilian-made. While either option will meet the RFP conditions, the Brazilians may notice that a more advanced U.S.-made missile, the AIM 9X, has been approved for export to such Air Forces as those of Saudi Arabia and South Korea and assume that Brazil is less trusted. Post understands that approval of the AIM9X for Brazil remains unlikely, but it will be important not to respond to Brazilian inquiries about this weapon with an outright "no." We should be prepared to explain that we understand that Brazil's policy is to favor indigenous weapons, as articulated in the recent defense strategy, and we are prepared to work with Brazil to integrate such missiles as they become available. We are also offering a lower cost, high performance alternative in the AIM9M. If Brazilian industry is interested, we could suggest partnership with U.S. firms on an improved WVR weapon.

¶5. (C) Similarly, we may see some Brazilian pushback on the location for weapons integration. Ideally, the Brazilians will want this done in Brazil with Brazilian engineers, an arrangement we understand that the USG will not approve. Again, rather than simply denying such a request, it would be better that the USG response focus on the downsides of doing the work in Brazil: huge increases in cost and the disadvantage of exempting Brazilian Super Hornets from ongoing technological improvements occurring in the worldwide Hornet/Super Hornet communities. In order to take full advantage of the mature technologies Boeing is offering (as opposed to its competitors, many of whose key systems are still on the drawing board), Brazil will have to participate in the Super Hornet program as a regular partner, and that means with key weapons integration done in the U.S.

¶6. (C) Before any aircraft could be transferred to Brazil, we will need to complete an information sharing agreement that will ensure protection of classified data. While this is in process, the process of approving technology release

for the RFP response revealed that the BRAF will also need to complete an arrangement for protection of the GPS signals used for weapons guidance. Prompt progress on these arrangements will be instrumental to completing a sale.

¶7. (SBU) The journalists participating in the tour gave strongly positive feedback to Boeing and Embassy reps. We have heard from several that stories will soon be appearing in major Brazilian publications (to be reported septel). As a follow on, embassy is discussing with Boeing the possibility of organizing a similar tour for Brazilian political/opinion leaders that would focus on the importance of the U.S.-Brazil relationship and the benefits, both political and economic to enhancing our partnership. Participation could be open to members of the Brazilian Congress that will have to approve funding for the FX2 and former Ministers who now can influence Brazilian opinion.

¶8. (SBU) President Lula's March visit to Washington will provide an opportunity to signal USG support for the sale of the Super Hornet and highlight the advantages to Brazil of buying the planes. Ideally, President Lula would be offered the same sort of familiarization flight in a Super Hornet that was conducted for Defense Minister Jobim in July 2008. Given the high degree of Brazilian interest in the new U.S. administration, we expect plentiful opportunities for high level contacts in the coming months. These should be used to remind Brazilian leaders of strong USG support for Boeing and the superiority of the F18 offer.

SOBEL